

Secretariat
Regional Banking Taskforce
Financial System Division
The Treasury
Langton Crescent
PARKES ACT 2600

Submission to the Regional Banking Taskforce

This submission is made by the LPO Group, on behalf of the members of the LPO Group, and Licensees and their community members that are dependent on the availability of essential services at community Post Offices across Australia.

LPO Group was established in 2013 to advocate for the future viability and sustainability of Community Post Offices. Due to decades of neglect by both Australia Post management and shareholder Ministers, Community Post Offices were at that time, as a group, on the brink of insolvency as the remuneration paid to Licensees was predominantly well short of cost recovery. The flow on effect of such a loss of this essential service in most communities would have been dire. The past 24 months has shown how vital essential services being available where people live is critical for the viability and wellbeing of our communities, and the future of our nation.

The ongoing decline in banking services in many rural and regional communities is another critical issue for our communities. In many communities now, the only access to financial services for our people they are via the Bank@Post service provided by Australia Post through the Post Office network.

Historically this had been a grossly underfunded service offered by Australia Post, at the direct financial cost to over 2,800 Licensees as the remuneration earned was far less than the cost to serve.

For our communities to thrive, financial services are vital, and often Licensees had little choice but to continue to provide these loss-making services in order to support their communities. Refusal of service would have resulted in many people travelling out of the community to access financial services and they would likely have also used the opportunity to undertake other business in the larger centres. This is often a fatal blow to

smaller regional and rural communities who fail to recover from the eventual commercial decline.

The previous CEO/MD of Australia Post, Christine Holgate, addressed the funding shortfalls of providing this service with a reformed banking agreement with 3 of the 4 major banks. The banks were asked to financially contribute to support community access which directly increased the remuneration for Community Post Offices. This contribution was insignificant in terms of percentage of the annual net profit posted by the major contributing banks. A further 70 plus second tier financial institutions also contributed to support the community access fee paid to the Post Office network to allow financial services to continue to be provided by Australia Post outlets. It is a credit to the executive of the second tier FI and the CBA, NAB, and Westpac that they accepted their obligations to support their retail customers with alternative solutions in the face of their removal of their bricks and mortar network from many communities. It is astounding that the executive of the ANZ, one of the big 4 major banks in Australia, declined to sign onto Bank@Post thus denying banking service for their retail customers, citing the cost of less than 0.5% of their annual profit was not aligned with their future needs.

The reformed Bank@post agreement put new life into Community Post Offices and resulted in many communities seeing increased economic results flowing through local businesses and households. Another flow on effect was the cash that remained circulating in the communities because it was retained and available locally.

One of the greatest aspects of the Bank@Post service is the availability of user-friendly local banking services that enables a greater level of support for our more vulnerable members. There will always been many people who fail to effectively manage, or utilise emerging technology, and chips and pins on card banking causes a lot of stress for elderly, and/or those not so technically minded. Forcing this group who often suffer from cognitive declines to manage this technology just to access their own fund adds to their lifestyle stress and is one of the biggest areas where face-to-face support is so much appreciated. As a society, it should be beholden on all of us to support the needs of this group of our community members, not ignore their declining skill sets.

We will all likely be there one day and we would hope that there is someone to assist when that time comes.

It is a fanciful notion that everyone has access to the internet and is able to access online services. In many communities, sometimes upwards of 50% of

the community is digitally disengaged, be it from lack of resources, ability, services, or a range of other contributing factors. Many people rely heavily on face-to-face assistance which provides the necessary support to enable them to live independently in their communities. Often these are the people who might also easily fall prey to online scamming when they do access online services, and anecdotal evidence suggests that face-to-face over the counter interactions have probably prevented hundreds of millions of dollars being paid to scammers by this group of people, simply because someone asked why they were undertaking such an unusual transaction. That is an invaluable service for our people.

LPO Group accepts that the end result of economic rationalisation is that many service providers have already or are in the process of abandoning locations all over the country. In the current environment, with digital alternatives available to a significant portion of the community, we accept that retaining stand-alone bank branches in many communities is not cost effective when shareholders are demanding ever greater returns from their investment. However, we strongly reject the notion that the community should be denied banking services because it is not cost effective to fund a branch in a majority of communities and where the loss of banking services serves to disadvantage the most vulnerable members of our society.

LPOG wholeheartedly supports the Bank@Post service as being a natural fit for the Community Post office network. We urge the Taskforce to investigate strengthening this service, to ensure robust and economically viable communities can continue to prosper and support our regional and rural populations where they live. Our major concern is that once a bank branch closes down in a community, that there is no ongoing process to ensure that affordable banking services are retained in that community. By way of explanation, our experience to date has been that once a bank branch closes down, partial bank services such as personal and business banking are then publicised as being available at the relevant Community Post Office which enables the Bank to reduce to a large degree the negative reaction from the community. Although enjoying the cost savings that the closure of the branch provides to the Bank, the Bank then subsequently introduces a costly fee to the Bank's customers who avail of these over the counter transactions. This action is designed to reduce these types of transactions by imposing a financial penalty to its customers under the guise of cost recovery when ongoing cost recovery has already been achieved through the closure of the Bank branch. LPOG believes this type of action is deceptive and that a legislative or some such other process must be put in place to prevent this type of behaviour.

We would like to support the call for a Postal Bank to further enhance the Bank@Post service, which could help further support communities everywhere across Australia. There is much evidence, internationally, of the success of such a banking service, and we call on the Taskforce to explore ways that a Postal Bank could be introduced to the Australia Post network.

LPO Group believes that a Postal Bank could:

- Guarantee banking services to all Australians in their communities where they live;
- Guarantee income to Australia Post and LPOs, ensuring the long-term viability of postal and government services across Australia;
- Guarantee *all* deposits of the Postal Bank customers;
- Support the availability of cash as a method of payment, so that cash is always available in the economy
- Make available more accessible lending to individuals, small business and industry in the local communities and
- Invest surplus deposits in a national development bank to invest in major infrastructure and industry development in regional Australia.

Over the last 3 decades many Australia Post Licensees have carried an enormous financial burden continuing to operate their community Post offices in the face of the major stakeholder ignoring the mounting debts, just to ensure our communities have services where they live. This burden was unfairly placed onto the Licensees because so many stakeholders refused to agree that the provision of this service must be adequately paid for. During the past decade much work has been undertaken by LPO Group to bring this to the attention of both Government and management of Australia Post. During the past 5 years there has been significant changes made to the remuneration for Licensees of community Post Offices and our network is far more secure because of these changes.

It is now time for the banking sector to accept that their cost cutting measures in branch closures and reducing face to face services are removing access to vital financial services across rural Australia, and significant changes must now be put in place to ensure these services are retained for our communities, and their people. The provision of a retail footprint, with personal face 2 face service is a costly exercise if multiple service providers are required to replicate the required footprint in multiple communities across Australia.

The use of the established Australia Post footprint, to provide these additional services on behalf of many services providers, is an obvious solution for our nation, but it must be fairly funded to meet commercial expectations by the providers who would meet the needs of their customers by using the Australia Post footprint.

LPOG implores the Taskforce to seek solutions to meet the future needs of all of the stakeholders moving forward. Together, we can build a sustainable future for rural Australia if the interests of rural Australia are the prime motivation. If stakeholders are allowed to focus on self-interests, or profits instead, then the reality is likely to be rather grim for the millions of people in the bush that contribute so much to keep Australia going.

A handwritten signature in black ink, consisting of several overlapping loops and a central point, set against a light gray background.

Angela Cramp
Executive Director,
For and on behalf of the members of the LPO Group
18 December 2021